

Message Text

SECRET

PAGE 01 ABU DH 00951 01 OF 03 291147Z
ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 SP-02 PER-01 SIG-01 A-01
MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02
AGRE-00 AID-05 CIAE-00 COME-00 DODE-00 FEA-01
NSC-05 TRSE-00 USIA-06 /084 W
-----291208Z 023080 /22

R 290910Z MAR 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 5856

S E C R E T SECTION 1 OF 3 ABU DHABI 0951

FROM THE AMBASSADOR

E.O. 11652: GDS
TAGS : PFOR, TC, US
SUBJECT : PARM ANNUAL POLICY AND RESOURCE ASSESSMENT -- UNITED
ARAB EMIRATES -- PART I

REF: (A) CERP 0001, (B) STATE 38356, (C) STATE 47671

I. U.S. INTERESTS.

1. OUR PRINCIPAL LONG TERM INTEREST IN THE UAE IS MAINTAINING ITS WESTERN ORIENTATION AND INTERNAL STABILITY IN SUPPORT OF OUR BROADER AREA AND WORLD INTERESTS. THE UAE IS A MAJOR FINANCIAL SUPPORTER OF MIDDLE EAST CONFRONTATION STATES; WE WANT TO KEEP THE UAE AMONG THE RANKS OF MODERATE ARABS WHICH SUPPORT A PEACEFUL SOLUTION TO THE ARAB/ISRAEL PROBLEM. THE UAE IS AN IMPORTANT SOURCE OF ENERGY AND FOR THE FIRST TIME IS OUT IN FRONT ON THE OIL PRICE ISSUE; WE WANT TO DO WHAT WE CAN TO ENCOURAGE HIGHER UAE OIL PRODUCTION AND, IN PARTICULAR, CONTAINUED PRICE RESTRAINT TO ASSURE SUSTAINED ECONOMIC GROWTH IN THE FREE WORLD. THE UAE IS STILL A YOUNG COUNTRY COMPOSED OF A FISSIONARY GROUP OF SHAIKHDOMS; WE WANT TO SUPPORT

SECRET

SECRET

PAGE 02 ABU DH 00951 01 OF 03 291147Z

EFFORTS TO MOLD A MORE COHERENT UNION SO THAT NO UAE TERRITORY OR WEALTH WILL BE USED TO PROMOTE INSTABILITY IN THE STRATEGIC GULF REGION.

2. WE ALSO HAVE SEVERAL IMPORTANT SECONDARY INTERESTS. THE UAE HAS NOW OVERTAKEN IRAN AS A SUPPLIER OF CRUDE TO THE U.S.; SOME 80 PERCENT OF THE UAE'S \$7 BILLION

IN FOREIGN EXCHANGE ASSETS IS IN DOLLAR INSTRUMENTS; IT IS THE WORLD'S LARGEST AID DONOR IN GNP TERMS; THE UAE MARKET FOR US GOODS AND SERVICES EXCEEDS \$500 MILLION ANNUALLY; AND THERE IS A SUBSTANTIAL AMERICAN COMMUNITY (3,800 AS OF DECEMBER 1976) AT WORK IN THE UAE. THUS, WE HAVE IMPORTANT ENERGY INTERESTS IN MAINTAINING ACCESS TO THE UAE'S HIGH QUALITY CRUDES; COMMERCIAL INTERESTS IN REDUCING OUR HUGE TRADE IMBALANCE BY EXPANDING OUR SHARE OF THE LUCRATIVE UAE MARKET FOR GOODS AND TECHNICAL SKILLS; AND FINANCIAL INTERESTS IN THE CONTINUING FLOW OF EXCESS UAE LIQUIDITY TO US FINANCIAL INSTITUTIONS AND SHAPING THE UAE'S GENEROUS AND RESPONSIBLE USE OF ITS OIL WEALTH TOWARD POORER COUNTRIES.

II - OVERVIEW

3. POLITICAL AND ECONOMIC TRENDS IN THE UAE ARE BROADLY FAVORABLE TO US AND SHOULD REMAIN SO OVER THE NEXT FEW YEARS. THE SLOW PROGRESS TOWARD INTEGRATION DURING SHAIKH ZAYID'S SECOND FIVE YEAR TERM SHOULD CONTINUE. THE WEAKNESSES OF ZAYID'S ADMINISTRATION WILL BE OUTWEIGHED BY ITS MERITS: GENEROSITY, LIBERALITY AND SOCIAL CONCERN. ZAYID WILL SEEK TO AVOID CONFRONTATION WITH THE OTHER SIX RULERS BY USING ABU DHABI'S WEALTH TO TRANSFORM THIS inhospitable land into a country that will survive as a political and economic entity.

4. PROSPECTS FOR GRADUALLY INCREASED UAE OIL PRODUCTION OVER THE NEXT DECADE LOOK GOOD AS US DEPENDENCE ON UAE
SECRET

SECRET

PAGE 03 ABU DH 00951 01 OF 03 291147Z

CRUDES GROWS. WHILE EXPLOITATION OF THE UAE'S EXTENSIVE OFFSHORE RESOURCES WILL BECOME INCREASINGLY EXPENSIVE, THE COSTS WILL REMAIN BELOW THOSE OF NORTH SEA OR ALASKAN OIL. THE UAE SHOULD SOON BE IN FOURTH PLACE AS A WORLD OIL EXPORTER, WHICH WILL GIVE IT INCREASED WEIGHT WITHIN OPEC. ALTHOUGH THE UAE WILL CONTINUE TO HAVE BALANCE OF PAYMENTS SURPLUSES, THESE WILL DIMINISH IN SIZE AS MORE RESOURCES ARE DEVOTED TO EXPLOITING HIGH COST OFFSHORE FIELDS, NEW INVESTMENTS ARE FOR MAJOR GAS LIQUIDS AND PETROCHEMICAL PROJECTS, AND THE UAE MAINTAINS ITS HIGH LEVEL OF FOREIGN ASSISTANCE.

5. THREE FACTORS WILL BE OF PARTICULAR IMPORTANCE TO OUR BILATERAL AND MULTILATERAL INTERESTS. FIRST IS PROGRESS TOWARD A MIDDLE EAST SOLUTION. THIS IS THE UAE LEADERSHIP'S OVERRIDING CONCERN. IT DOES NOT ESPOUSE A SPECIAL PLAN AND HAS SUPPORTED THE GENERAL THRUST OF US EFFORTS. BUT IT IS BECOMING INCREASINGLY CONCERNED THAT UAE AID TO THE

CONFRONTATION STATES IS BEING FRITTERED AWAY BY THEIR MILITARY REQUIREMENTS. IT IS DEEPLY WORRIED THAT ECONOMIC CRISES IN EGYPT, SYRIA AND JORDAN COULD UNLEASH RADICAL FORCES WHICH IF SPREAD COULD HAVE DISASTROUS CONSEQUENCES FOR THE UAE'S SECURITY. SECOND IS THE LEADERSHIP'S REALIZATION THAT ISLANDS OF PROSPERITY CANNOT PROSPER IN OCEANS OF POVERTY. ALTHOUGH NOT A DIRECT PARTICIPANT, THE UAE FOLLOWS THE NORTH/SOUTH DIALOGUE AND WHILE IT WILL LISTEN TO US, ITS INSTINCTS WILL BE TO SIDE WITH THE NON-OIL LDCS. THIRD IS THE UAE'S PERCEPTION THAT ITS SECURITY ESSENTIALLY LIES IN A REGIONAL CONTEXT WHICH REQUIRES HAVING GOOD RELATIONS WITH SAUDI ARABIA AND IRAN AND SUPPORTING MODERATE POLITICAL FORCES IN THE AREA.

SECRET

NNN

SECRET

PAGE 01 ABU DH 00951 02 OF 03 291025Z
ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 SP-02 PER-01 SIG-01 A-01
MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02
AGRE-00 AID-05 CIAE-00 COME-00 DODE-00 FEA-01
NSC-05 TRSE-00 USIA-06 /084 W
-----291210Z 021961 /22

R 290910Z MARY 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 5857

S E C R E T SECTION 2 OF 3 ABU DHABI 0951

FROM THE AMBASSADOR

6. IF THE UAE LEADERSHIP BELIEVES THAT THE USE OF ABU DHABI'S WEALTH SUPPORTS ITS MIDDLE EAST POLITICAL OBJECTIVE, IT CAN BE EXPECTED TO CONTINUE ITS MAJOR FOREIGN AID OUTLAYS (WHICH TOTALLED AT LEAST \$1.3 BILLION IN 1976 OR 18 PERCENT OF ITS GNP) AND FOLLOW THE SAUDI LEAD ON OIL PRICES WITHIN OPEC. IF THE UAE HOLDS TO THE 5 PERCENT INCREASE AND CONTINUES TO ESCHEW HEALTHY QUALITY DIFFERENTIALS FOR ITS LOW-SULPHUR CRUDES, THIS WILL INVOLVE GIVING UP AT LEAST \$1 BILLION IN OIL INCOME IN 1977. THE UAE, HOWEVER, WILL PROBABLY NOT FOLLOW THE SAUDI LEAD ON PRODUCTION BY FREEING SHUT-IN CAPACITY TO AVOID

ANTAGONIZING IRAN.

III. OBJECTIVES AND COURSES OF ACTIONS.

A. SUPPORT UAE STABILITY AND WESTERN ORIENTATION.

7. THIS IS AN OBJECTIVE WE SHARE WITH OTHER WESTERN POWERS AND IMPORTANT AREA STATES (SAUDI ARABIA AND IRAN). WE SHOULD CONTINUE TO MAINTAIN OUR QMNIAPVGUE WITH UAE
SECRET

SECRET

PAGE 02 ABU DH 00951 02 OF 03 291025Z

LEADERSHIP ON THE ADVANTAGE OF MAINTAINING CLOSE CONSULTATIONS WITH AREA STATES AND KEEP IT ALERT TO DANGERS THAT COULD THREATEN ITS INTERNAL SECURITY. WE SHOULD ALSO USE EVERY OCCASION TO SUPPORT SHAIKH ZAYID'S EFFORTS TO ACHIEVE GROWING INTERNAL COHESION BY PERIODICALLY REMAINING THE OTHER RULERS OF OUR SUPPORT FOR THE DEDERATION AND BY GIVING ZAYID INCREASED ATTENTION, INCLUDING AN INVITATION FOR HIM TO VISIT THE U.S.

8. WE SEE LITTLE TO BE GAINED IN ESPOUSING FORMAL SECURITY ARRANGMENTS AMONG GULF STATES BUT WE NEED TO MAKE SURE THAT OUR RESTRAINT ON ARMS SALES TO LOWER GULF STATES IS NOT VIEWED AS DISINTEREST IN UAE SECURITY. WHILE THE UAE LOOKS MAINLY TO OTHER WESTERN STATES FOR ITS MILITARY SUPPLIES AND IT IS STAFFED LARGELY BY JORDANIAN, EGYPTIAN, OR PAKISTANI OFFICERS. THERE IS GROWING INTEREST IN US EQUIPMENT AND TRAINING AS THE INTEGRATION OF MILITARY UNITS IN THE DIFFERENT EMIRATES MOVES APACE. WE SHOULD AT LEAST BE PREPARED TO RESPOND PROMPTLY TO REQUESTS FOR LIMITED QUANTITIES OF GROUND FORCE EQUIPMENT THAT IS REGARDED AS NOT SOPHISTICATED AND DEFENSIVE IN NATURE SUCH AS THE LONG STANDING REQUEST FOR TOWS. THIS IS UNLIKELY TO SATISFY THE UAE FULLY BUT IT WILL HELP OVERCOME THE PRESENT FEELING THAT OUR RESTRAINT IMPLIES A LACK OF TRUST OR RESPECT FOR THE UAE.

B. ACHIEVING A MIDDLE EAST SETTLEMENT.

9. ALTHOUGH THE UAE WILL NOT PLAY A DETERMINING ROLE IN ANY MIDDLE EAST SETTLEMENT, ITS VIEWS WILL BE HEARD AS LONG AS IT REMAINS A MAJOR FINANCIAL SUPPORTER OF THE FRONT LINE STATES. WE WANT TO KEEP THE UAE ON ITS PRESENT TRACK IN SUPPORT OF US EFFORTS. TO DO SO, WE NEED PERIODIC UPDATES ON HOW THE USG SEES MIDDLE EAST
SECRET

SECRET

PAGE 03 ABU DH 00951 02 OF 03 291025Z

DEVELOPMENTS. THE PRESIDENT'S RECENT LETTER TO SHAIKH ZAYID IS AN EXCELLENT START. BY GIVING THE EMBASSY THE WHEREWITHAL TO HAVE A DIALOGUE WITH THE UAEG ON THE MIDDLE EAST, IT WILL SHOW THAT THE USG RECOGNIZES THE UAE'S INTERESTS IN THE MIDDLE EAST AND CARES ABOUT ITS VIEWS.

C. ACCESS TO UAE OIL AND COOPERATION WITH US
ENERGY POLICY.

10. BARRING A MIDDLE EAST WAR, THE UAE SHOULD REMAIN A RELIABLE SOURCE OF SUPPLY FOR THE US AND FOR THE WEST GENERALLY. WE HAVE HAD A USEFUL DIALOGUE ON OIL ISSUES, WHICH IS PROBABLY THE BEST WE CAN DO. BASICALLY, HOWEVER, OUR IMPACT ON OIL PRICES AND PRODUCTION WILL BE AFFECTED BY (A) UAE PERCEPTIONS OF OUR SUCCESS (OR FAILURE) TOWARD A MIDDLE EAST SETTLEMENT; (B) OUR ATTITUDE TOWARD NORTH/SOUTH ISSUES (THE UAE HAS REACTED FAVORABLY TO OUR WILLINGNESS TO DISCUSS A COMMON FUND FOR BUFFER STOCK FINANCING OF CERTAIN COMMODITIES); AND (C) WHETHER CONTINUED HIGH US CONSUMPTION-- WHICH BENEFITS OPEC PRICE HAWKS--DOES NOT UNDERCUT WHAT THE UAE AND SAUDIS HAVE TRIED TO DO IN RESTRAINING OIL PRICES. FORTUNATELY, UAE LEADERSHIP IS INCLINED TO GIVE US TIME AND ZAYID INTENDS TO CONTINUE HIS CLOSE CONSULTATIONS WITH THE SAUDIS AND IGNORE, AT LEAST FOR THE PRESENT, PRESSURES FROM IRAN ON OIL PRICE AND PRODUCTION ISSUES. BUT ZAYID WILL BE SORELY DISAPPOINTED IF HE HAS LITTLE TO POINT TO AFTER AWHILE, ESPECIALLY ON THE ARAB/ISRAEL PROBLEM. THIS IS ONE MORE REASON WHY WE NEED TO KEEP HIM ABREAST PERIODICALLY OF HOW WE SEE MIDDLE EAST DEVELOPMENTS.

SECRET

NNN

SECRET

PAGE 01 ABU DH 00951 03 OF 03 291113Z
ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 SP-02 PER-01 SIG-01 A-01
MMO-01 EB-08 SCA-01 IO-13 INR-07 PM-04 CU-02
AGRE-00 AID-05 CIAE-00 COME-00 DODE-00 FEA-01
NSC-05 TRSE-00 USIA-06 /084 W
-----291211Z 022557 /22

R 290910Z MAR 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHC 5858

S E C R E T SECTION 3 OF 3 ABU DHABI 0951

FROM THE AMBASSADOR

D. EXPAND THE US SHARE IN THE UAE MARKET.

11. GIVEN OUR GROWING IMPORTS OF UAE OIL (OVER \$1.5 BILLION IN 1976), OUR TRADE DEFICIT IS NOW OVER ONE BILLION DOLLARS AND WE MUST REDOUBLE OUR EFFORTS TO EXPAND OUR SHARE OF THE UAE'S LUCRATIVE MARKET FOR GOODS AND SERVICES. THIS MARKET CURRENTLY EXCEEDS \$5 BILLION ANNUALLY AND SHOULD CONTINUE TO GROW. WHILE MUCH OF THE BASIC INFRASTRUCTURE (ROADS, SCHOOLS, COMMUNICATIONS, ETC.) WILL SOON BE IN PLACE, THE UAE WILL BE SHIFTING MORE RESOURCES TO DEVELOPMENT OF HYDRO-CARBON INDUSTRIES (TO MAKE USE OF FLARED GAS), WATER CONSERVATION AND STORAGE FACILITIES, DESERT AGRICULTURE, AND CAPITAL MARKET INSTITUTIONS. ALL ARE HIGH TECHNOLOGY ACTIVITIES AND THE US IS IDEALLY SUITED TO PROVIDE THEM. HOWEVER, WE HAVE HURT OURSELVES BADLY THROUGH RECENT TAX LEGISLATION AFFECTING AMERICANS WORKING ABOARD. US FIRMS OPERATING IN THE UAE ARE LETTING AMERICANS GO AND ARE HIRING THIRD COUNTRY NATIONALS WHICH WILL HURT OUR LONG TERM MARKET PROSPECTS. LIKEWISE THE PROSPECTS FOR TIGHTER ANTI-SECRET

SECRET

PAGE 02 ABU DH 00951 03 OF 03 291113Z

BOYCOTT LEGISLATION HAVE BEEN MOST HARMFUL. THE FEAR OF WHAT MIGHT COME HAS CAUSED SEVERAL AMERICAN FIRMS TO BACK AWAY FROM LUCRATIVE TENDERS. THE ADMINISTRATION SHOULD (A) SEEK TO REPEAL RELEVANT SECTIONS OF THE TAX LAW WHICH SERIOUSLY DIMINISH OVERSEAS EMPLOYMENT OPPORTUNITIES FOR AMERICANS, AND (B) VETO ANY BOYCOTT LEGISLATION WHICH EXCEEDS THE SEVEN POINT GUIDELINES SET FORTH IN THE SECRETARY'S FEBRUARY 28 STATEMENT.

E. RECYCLING PETRODOLLARS.

12. THE UAE'S CONSERVATIVE APPROACH, THE RECENT CREATION OF THE ABU DHABI INVESTMENT AUTHORITY TO COORDINATE MOST FOREIGN INVESTMENT, AND UAE DESIRE FOR SOLID INVESTMENTS ABROAD TO HELP DIVERSIFY ITS LIMITED ECONOMIC BASE SHOULD ALL ASSURE THE CONTINUED FLOW OF SURPLUS UAE CAPITAL TO THE U.S. SO LONG AS

THE US ECONOMY IS STRONG AND INFLATION IS KEPT UNDER CONTROL, WE WILL GET MORE THAN OUR SHARE.

13. THE UAE'S MASSIVE FOREIGN AID IS THE OTHER PART OF THE RECYCLING PROCESS. IT IS ONE ACTIVITY WHICH GENERATES WIDESPREAD INTERNAL CRITICISM OF ZAYID, BUT THIS AID SHOULD CONTINUE WHILE HE IS STILL PRESIDENT. WE SHOULD CONTINUE TO ENCOURAGE THE UAE TO EXPAND ITS PARTICIPATION IN INTERNATIONAL (IBRD/IDA) AND REGIONAL (AFAESD, ADF, ETC) FINANCIAL INSTITUTIONS, TO INCREASE THE CAPITAL OF ITS OWN CONCESSIONAL LENDING INSTITUTION, AND TO SEEK OUT JOINT FUNDING FOR AID-IDENTIFIED PROJECTS IN LDCS.

F. DEEPEN THE FABRIC OF US-UAE RELATIONS.

14. US-UAE RELATIONS ARE GOOD, AND WE HAVE NO REAL IDEOLOGICAL DIFFERENCES, BUT THEY STILL LACK DEPTH.
SECRET

SECRET

PAGE 03 ABU DH 00951 03 OF 03 291113Z

WE NEED OVER A PERIOD OF TIME TO EXPAND THE UAEG'S SENSE OF SHARED INTERESTS IN THE FIELDS OF THE TRANSFER OF TECHNOLOGY, EDUCATION, AND CONSERVATION OF THE WORLD'S RAW MATERIALS SO THAT WE CAN HAVE MORE INFLUENCE ON MULTILATERAL AND NORTH/SOUTH ISSUES. THIS WILL HAVE TO BE DONE IN A VARIETY OF WAYS. WE HAVE BEGUN A MODEST REIMBURSABLE TECHNICAL ASSISTANCE PROGRAM WHICH COULD EXPAND IF WE GET ADDITIONAL ADMINISTRATIVE SUPPORT. THROUGH USIS, WE ARE EXPANDING OUR CULTURAL EXCHANGE AND SPEAKERS PROGRAMS, AND WE ARE PROVIDING PRE-DEPARTURE ORIENTATION FOR UAE COLLEGE STUDENTS GOING TO THE U.S. (THERE ARE NOW 650 IN THE U.S., OR 40 PERCENT OF ALL UAE STUDENTS AT THE UNIVERSITY LEVEL). USIS WORK WITH THE MEDIA, SOON TO BE AUGMENTED BY AN ARABIAN WIRELESS FILE FACILITY, AND ITS DISSEMINATION OF INFORMATION THROUGH ITS AUDIENCE RECORD SYSTEM TO KEY OPINION MAKERS WILL ALSO HELP. THE ACTION WITH THE MOST VISIBLE IMPACT WOULD BE A PRESIDENTIAL INVITATION TO SHAIKH ZAYID TO VISIT THE US. THE PRESTIGE OF SUCH A VISIT WOULD GIVE MEANING TO OUR SUPPORT FOR HIS EFFORTS TO UNITE THE FEDERATION AND WOULD INCREASE HIS SENSE OF SHARED INTERESTS AND RESPONSIVENESS TO OUR POLICIES.
DICKMAN

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, POLICIES, ANNUAL REPORTS, INTELLIGENCE ASSESSMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ABUDH00951
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770107-0313
Format: TEL
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770313/aaaaakze.tel
Line Count: 380
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e353a1b0-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: 77 STATE 38356, 77 STATE 47671
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2971024
Secure: OPEN
Status: NATIVE
Subject: PARM ANNUAL POLICY AND RESOURCE ASSESSMENT -- UNITED ARAB EMIRATES -- PART I
TAGS: PFOR, AMGT, TC, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e353a1b0-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009